

Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 IO-13 ISO-00 STRE-00 H-02 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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P 061800Z JUL 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1712

INFO AMEMBASSY BRASILIA PRIORITY

LIMITED OFFICIAL USE MTN GENEVA 5307

ACTION STR

H PASS CODEL

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJ: TROPICAL PRODUCTS CONSULTATIONS - BRASIL

REF: (A) MTN GENEVA 4246, (B) BRASILIA 5621

1. SUMMARY: IN BILATERAL TROPICAL PRODUCTS (TP) CONSULTATION, BRAZILIAN MTN DEL INDICATED GOB'S EVALUATION OF US TP OFFER HAD CONCLUDED THAT BRAZIL'S PRINCIPAL INTEREST IN INITIAL US TP OFFER WAS IN PURSUING BINDING AT ZERO ON SOLUBLE COFFEE. BRAZIL DEL INDICATED BRAZIL WOULD MAKE COUNTERPART CONTRIBUTIONS TO THE MTN FOR SOLUBLE COFFEE BUT AT THE CLOSE OF THE NEGOTIATIONS WHEN IT WAS ABLE TO EVALUATE THE NET
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BENEFITS ACCRUING TO BRAZIL. HOWEVER, BRAZIL WISHED TO CONTINUE WITH THE US BILATERAL NEGOTIATIONS. BRAZIL DEL NOTED POSSIBILITY OF "CONDITIONAL RECIPROCITY", WITH US PROVISIONALLY IMPLEMENTING

TP OFFER PENDING RECEIPT OF CONTRIBUTIONS FROM BENEFICIARY COUNTRIES. US MTN DEL NOTED IT WOULD REPORT BRAZILIAN PROPOSAL, BUT THAT IT UNLIKELY THAT US WOULD CONCLUDE AGREEMENT ON OR IMPLEMENT ITS TP OFFER WITHOUT AN INDICATION OF THE SPECIFIC CONTRIBUTIONS THAT MIGHT BE FORTHCOMING FROM BENEFICIARY COUNTRIES. END SUMMARY

2. IN MEETING REQUESTED BY BRAZIL, JUNE 28, BRAZILIAN MTN DEL (MEDEIROS), ACCCOMPANIED BY GOB REPRESENTATIVE FROM BRASILIA (HUERENEY) STATED THAT GOB INTERMINISTERIAL COMMITTEE HAD COMPLETED REVIEW OF TP OFFERS OF MAJOR COUNTRIES, EC, JAPAN AND US. GOB COMMITTEE HAD DETERMINED THT THERE WAS LITTLE OR NOTHING OF TRADE INTEREST TO BRAZIL IN THE EC AND JAPANESE OFFERS. CONCERNING THE US TP OFFER, GOB NOTED THAT NEARLY ALL THE PRODUCTS WERE EITHER ALREADY ON GSP OR HAD RELATIVELY LOW DDUTIES, HENCE BRAZIL DID NOT HAVE PARTICULAR MARKET ACCESS PROBLEMS, GOB WAS, HOWEVER, INTERESTED IN ONE ITEM ON US TP OFFER LIST, TSUS 160.20 SOLUBLE COFFEE, ON WHICH US WAS OFFERING NEGOTIATE A BINDING AT FREE. THIS WAS THE ONE ITEM ON US TP OFFER LIST BRAZIL WOULD BE WILLING TO MAKE CONTRIBUTIONS TO RECEIVE, NOTING, HOWEVER, THAT THESE CONTRIBUTIONS WOULD BE MADE AT THE END OF THE NEGOTIATIONS, WHEN BRAZIL COULD BE ASSURED OF THE NET BENEFITS ACCRUING TO BRAZIL AS AN LDC IN THE MTN. BRAZIL DEL NOTED THATTHEY HAD A SECONDARY INTEREST IN TSUS 156.35, COCOA BUTTER, AND IN TSUS 176.01 AND 176.02, CASTOR OIL. WHILE BRAZIL WAS NOT PREPARED TO MAKE CONTRIBUTIONS TO RECEIVE CONCESSIONS ON THESE PRODUCTS, BRAZIL "HOPED" THAT THE US WOULD MAINTAIN THESE PRODUCTS IN ITS TP OFFER.

3. BRAZILIAN DEL NOTED THAT ON CASTOR OIL, IT UNDERSTOOD THAT THE US HAD NO DOMESTIC PRODUCTION.
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THEREFORE IT WAS HOPEFUL THAT A FINDING COULD BE MADE THAT SINCE THER WAS NO US DOMESTIC PRODUCTION THAT THE 50 PCT COMPETITIVE NEED GSP LIMITATION WOULD NOT APPLY. BRAZILIAN CASTOR OIL EXPORTS HAD BEEN ABOUT \$15,000,000 IN 1975, WELL BELOW THE GSP COMPETITIVE NEED CEILING.

4. BRAZIL DEL NOTED THAT THERE WAS ABSOLUTELY NO INTEREST IN BRASILIA AT THIS TIME IN NEGOTIATING CONCESSIONS, GIVEN THE DIFFICULT GLOBAL ECONOMIC SITUATION AND THE IMPACT THIS HAD HAD UPON BRAZIL'S ECONOMY. GOB WAS HOPEFUL THAT THE ECONOMY WOULD

ADJUST, BUT IT WAS NOT NOW CLEAR WHEN THE ECONOMIC SITUATION WOULD BEGIN TO IMPROVE. BRAZIL DEL ALSO NOTED THAT THE LARGE BILATERAL TRADE DEFICIT WITH THE US ALSO MADE IT MORE DIFFICULT TO JUSTIFY IN BRAZIL TRADE CONCESSIONS TO THE US. BRAZIL DEL NOTED THAT IT WAS EXTREMELY DIFFICULT FOR GOB NEGOTIATORS TO GET ANY NEGOTIATING ROOM AND THAT THEY HAD BEEN ORDERED TO REDUCE THEIR REQUESTS TO A BARE MINIMUM. IN THIS CONTEXT, BRAZIL DEL WISHED TO REITERATE ITS CONTINUED INTEREST IN THE PRODUCTS ON BRAZIL'S INITIAL TP REQUEST LIST, PINEAPPLE JUICE, FROZEN ORANGE JUICE, AND CIGARS. THESE WERE PRODUCTS IN WHICH GOB WAS INTERESTED AND WOULD BE WILLING TO MAKE APPROPRIATE CONTRIBUTIONS, ALTHOUGH ALSO PRESUMABLY AT THE END OF THE NEGOTIATIONS. IN THE LIGHT OF NEED TO REDUCE THEIR REQUESTS TO A BARE MINIMUM, BRAZIL DEL REQUESTED THE DELETION FROM THEIR TP REQUEST LIST OF TSUS 165.55, FRUIT JUICES, EX-OUT FOR PASSION FRUIT JUICES, NOTING THAT THS WAS NOW INCLUDED IN GSP, AND THAT BRAZIL HAD MINOR TRADE IN THIS ITEM.

5. BRAZIL DEL NOTED THAT THEY HAD NO STRONG VIEWS ON AN EARLY END TO THE TP NEGOTIATIONS, NOTING THEIR BELIEF IT WAS MUCH MORE IMPORTANT TO HAVE A MORE MEANINGFUL PACKAGE OF TARIFF REDUCTIONS THAN EARLY IMPLEMENTATION. BRAZIL DEL NOTED, HOWEVER,

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ACTION STR-04

INFO OCT-01 STRE-00 IO-13 AF-08 ARA-06 EA-07 EUR-12 NEA-10

OIC-02 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 ITC-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 ISO-00 /139 W

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P 061800Z JUL 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1713

INFO AMEMBASSY BRASILIA PRIORITY

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ACTION STR

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THAT THERE WERE OTHER LDCS IN THE TP GROUP WHO
WANTED RESULTS THIS YEAR. BRAZIL COULD NOT
STAND IN THEIR WAY AND WOULD HENCE GO ALONG IN
A PRO FORMA FASHION WITH ANY LDC INITIATIVES TO
FINALIZE THE TP NEGOTIATIONS. BRAZIL DEL
EMPHASIZED THEIR INTEREST IN KEEPING OPEN THE
BILATERAL CONSULTATIONS, AND SUGGESTED THAT
PERHAPS THE TP GROUP COULD AGREE ON ANOTHER
ROUND OF BILATERAL CONSULTATIONS TO SEE IF OFFERS
COULD BE IMPROVED.

6. BRAZIL DEL SAID THAT IT WAS CONSIDERING A
PROPOSAL OF "CONDITIONAL RECIPROCITY". UNDER
THIS PROPOSAL, THE US WOULD IMPLEMENT ITS TP
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OFFER ON A PROVISIONAL BASIS, UNTIL CORRESPONDING
CONTRIBUTIONS WERE RECEIVED FROM DEVELOPING
COUNTRIES.

7. BRAZIL DEL SAID THAT THE GOB WAS NOW EVALUATING
THE US LIST OF SUGGESTED CONTRIBUTIONS. THEY NOTED
THAT IT WAS A "WIDE" LIST, AND THAT SOME OF THE
PRODUCTS REQUESTED WERE UNDER BALANCE-OF-PAYMENTS
RESTRICTIONS. GOB DEL APPRECIATED THAT US WAS NOT
REQUESTING REMOVAL OF SUCH TEMPORARY BOP RESTRICTIONS,
BUT THAT HIGH-LEVEL GOB OFFICIALS WERE VERY MUCH
OPPOSED TO CONSIDERING ANY CONCESSIONS, GIVEN THE
DIFFICULT ECONOMIC SITUATION. BRAZIL DEL INDICATED
THAT IT MIGHT BE POSSIBLE IN THE FUTURE BILATERAL
TP CONSULTATIONS TO INDICATE THOSE PRODUCTS INCLUDED
AMONG US SUGGESTED CONTRIBUTIONS ON WHICH IT WOULD
NOT BE POSSIBLE FOR BRAZIL TO CONSIDER MAKING
REDUCTIONS UNDER ANY FORESEEABLE CIRCUMSTANCES.

8. US MTN DEL (GRAEF, KNEPPER) NOTED THAT PRODUCTS
ON US TP OFFER ACCOUNTED FOR ALMOST 10 PCT OF BRAZIL'S
1974 EXPORTS TO US, AND THAT NEARLY 15 PCT OF THE
TOTAL TRADE VALUE OF THE US TP OFFER WAS BRAZILIAN
EXPORTS. IT, THEREFORE, WAS EXTREMELY IMPORTANT TO
HAVE BRAZIL'S REACTION, AND THAT IT WAS NOT POSSIBLE
TO IGNORE BRAZIL'S SUBSTANTIAL TRADE INTERESTS IN
A NUMBER OF PRODUCTS IN US TP OFFER. US DEL ALSO
NOTED THAT WHEREAS BRAZIL SEEMED TO BE EVALUATING

THE QUALITATIVE VALUE OF A BINDING AT ZERO ON SOLUBLE COFFEE, IT DID NOT APPEAR TO HAVE A SIMILAR CONSIDERATION ON A BINDING OF ZERO ON CASTOR OIL. US MTN DEL NOTED THAT IT WOULD BE HELPFUL IF BRAZIL WOULD AMEND THEIR TP REQUEST LIST TO INCLUDE THE INTEREST EXPRESSED IN SOLUBLE COFFEE, CASTOR OIL, AND COCOA BUTTER, NOTING THAT IT WOULD BE DIFFICULT TO MAKE CONCESSIONS ON PRODUCTS IN WHICH THE PRINCIPAL SUPPLIER HAD NOT MADE A FORMAL REQUEST.

9. US DEL NOTED THAT THE US TP OFFER AND SUGGESTED CONTRIBUTIONS HAD BEEN VERY CAREFULLY CONSIDERED. HOWEVER, THE US REALIZED IT INVOLVED IN A LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NEGOTIATION, AND IT WOULD BE POSSIBLE TO CONSIDER SOME AMENDMENTS TO US TP OFFER AND REQUESTED CONTRIBUTIONS, BUT THIS WOULD DEPEND IN LARGE MEASURE ON WHETHER WE WERE INVOLVED IN A NEGOTIATION IN THE TP GROUP OR NOT. US DEL NOTED, AS DISCUSSED IN PREVIOUS CONSULTATIONS, THAT THE REMAINING PRODUCTS ON BRAZIL'S TP REQUEST LIST WERE VERY SENSITIVE, AND INVOLVED BOTH INTERESTS OF US DOMESTIC PRODUCTION AS WELL AS PRODUCTION AND MARKETS IN OTHER DEVELOPED COUNTRIES. THEREFORE, IT WAS LIKELY THAT THESE PRODUCTS WOULD NEED A BROADER NEGOTIATING FORUM THAN WAS AVAILABLE IN THE TP NEGOTIATION, NOTING PROCEDURES IN OTHER MTN GROUPS.

10. US DEL NOTED IT WOULD REPORT THE BRAZILIAN PROPOSAL OF "CONDITIONAL RECIPROCITY" INDICATING THAT IT HOPED IT WOULD BE ABLE TO CONTINUE DISCUSSIONS ON THE SPECIFIC CONTRIBUTIONS THAT THE US HAD IDENTIFIED, PERHAPS OBTAINING SOME INDICATIONS OF THOSE THAT WOULD BE MORE EASILY NEGOTIATED THAN OTHERS. US DEL NOTED THAT IT HAD SOME PROBLEM WITH THE CONCEPT OF A PROVISIONAL BINDING OF A TARIFF WHICH WAS ALREADY AT ZERO, AS WAS THE CASE ON SOLUBLE COFFEE, BUT INDICATED THIS WAS A PROPOSAL THAT COULD BE STUDIED. US DEL NOTED THAT ONE OF THE PROBLEMS WITH THE PROPOSAL WOULD BE THAT THERE WAS NO REAL BASIS TO JUDGE WHAT WOULD INITIALLY BE IN THE PACKAGE OF BRAZILIAN CONTRIBUTIONS TO THE MTN. IN EFFECT, THIS WAS A BLANK CHECK THAT GOB WAS PROPOSING, TO BE FILLED IN AT THE END OF THE NEGOTIATIONS.

1. COMMENT: GOB IS SEEKING BOTH TO GO ALONG WITH G-77 POSITIONS IN TP GROUP OF SEEKING IMPROVEMENT AND IMPLEMENTATION OF DC TP OFFERS ON NON-RECIPROCAL BASIS, WHILE SEEKING TO KEEP DOOR OPEN TO MORE USEFUL CONTINUED BILATERAL DISCUSSIONS.

END COMMENT.WALKER

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